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FM AMEMBASSY KINSHASA  
TO RUEHC/SECSTATE WASHDC 0075  
INFO RWANDA COLLECTIVE  
SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RHEFDIA/DIA WASHINGTON DC  
RHMFISS/HQ USAFRICOM STUTTGART GE  
RUEAIIA/CIA WASHINGTON DC  
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UNCLAS KINSHASA 000088

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E.O. 12958: N/A  
TAGS: [EFIN](#) [EMIN](#) [ENRG](#) [EPET](#) [ECON](#) [PGOV](#) [CG](#)  
SUBJECT: DRC MAKES PROGRESS TOWARDS EITI VALIDATION

REF: 09 STATE 28858

¶1. Summary: In 2008, the DRC became a candidate country for the Extractive Industries Transparency Initiative (EITI), a multi-stakeholder effort to increase transparency in transactions between governments and companies in the extractive industries (reftel). In order to be declared or "validated" as an EITI-compliant country by the International EITI Secretariat, the DRC must complete certain requirements by a March 10, 2010 deadline. The DRC has already taken some positive steps under EITI, including the establishment of a National EITI Executive Committee, which has met three times, on October 6, December 10 and January 14. The National EITI Executive Committee is comprised of representatives from the DRC government, extractive industries and civil society organizations and is in charge of overseeing implementation of steps the DRC needs to take in order to be validated as a country which is compliant with the Extractive Industries Transparency Initiative (EITI).

¶2. Summary continued: The third meeting of the DRC National EITI Executive Committee was held at the Ministry of Planning on January 14. Planning Minister Olivier Kamitatu presided over the meeting, which was attended by representatives from the government, extractive industries, civil society organizations and the donor community. During the meeting, the EITI National Committee fulfilled two required steps towards EITI validation. First, the Committee conditionally approved a report submitted by Price Waterhouse Cooper's on "EITI in the DRC," which included information on the amount of taxes extractive industries paid to DRC government agencies and the amount of money the government agencies actually recorded receiving from the extractive industries in 2007. Second, the Committee selected the French Company CAC 75 to validate the Price Waterhouse Cooper's report. The objective of the validation is to provide an independent evaluation of progress the DRC has made in implementing EITI and also recommendations about necessary measures which still need to be taken. Two steps which the DRC still needs to take before a March 10 deadline is a) to organize a workshop to present the Price Waterhouse Cooper's report at the national and provincial levels and b) validate the report. Whether the DRC meets the March 10 deadline remains to be seen. End summary.

Report Conditionally Approved

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13. During the January 14 meeting, Executive Committee members reviewed the first report published by the independent Administrator/Conciliator Price Waterhouse Cooper's on December 22 on "EITI in the DRC," which covered twenty mining companies and five petroleum companies. The report examined how transparency works in DRC extractive industries by matching taxes that extractive industries paid to government tax collecting agencies and how much money the tax collecting agencies recorded in 2007. DRC tax collecting agencies include OFIDA (Customs), DGRAD (responsible for administrative taxes), DGI (responsible for revenue, salary and property taxes), and OCC (the Import-Export Authority). In the report, Price Waterhouse Cooper's recommended that the DRC take the following actions: a) the extractive industries should be required to adhere to the EITI process; b) the DRC should define which revenues extractive industries should declare in advance and explain which revenues to record; c) the DRC should hold a workshop for all people involved in the EITI to explain how to complete the declaration forms; d) the EITI Technical Secretariat should sensitize extractive industries and government agencies to stick to the timetable of implementing EITI procedures and to provide all required documents related to revenue declaration and e) the DRC should implement some payment procedures for special payments of some revenues.

14. The report detected discrepancies between what the extractive industries paid and what the tax collecting agencies declared. The EITI Executive Committee approved the report on condition that

these discrepancies are addressed, some calculations re-adjusted and some typographical errors corrected. Delegates from the OCC requested that their figures not be published, since they were not a "tax collection agency," but an "import-export authority." However, the EITI Executive Committee decided to keep the OCC figures in the report, provided that they label it as a "government entity" and not a "tax collection agency." The next step in the EITI process is that the DRC must organize a workshop to present the report at the national and provincial levels.

Now Validation Work Begins

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15. As part of the EITI process, the Price Waterhouse Cooper's report will now have to be validated. National EITI Coordinator Christian Mambu announced that on December 23, a five-member ad-hoc committee selected the French Company CAC 75 to validate the report. He stated that the CAC 75's representative would arrive in the DRC in mid-January and complete a validation report by February 15. The total cost of the validation would be USD 103,000. The CAC representative requires a down-payment of 40 percent of the total bill. The GDRC would pay 51 percent of this amount, while multinational donors would cover the remaining 49 percent. In order to raise funds, the EITI Executive Committee promised to send a letter to the GDRC through the Minister of funds. The delegate from the German government's development agency (GTZ) said that he would call a meeting with donors to communicate their position. The EITI Executive Committee requested that the World Bank shorten its procedures for mobilizing funds, which normally take at least 15 days. (Note: On January 23, Mambu sent an invitation letter to Hughes Renaux of CAC 75 to perform the validation. As of January 25, Renaux has still not arrived in the DRC. In addition, there is no news as to whether the DRC has received funding to cover the USD 103,000 cost of the validation. End note.)

16. According to the Terms of Reference for the Validator, CAC 75 would submit a pilot report to the National EITI Coordinator and the Validation Follow-Up Group on January 31. Final amendments to the validation report would be shared with the International EITI Secretariat. The final report would be submitted on February 28. The Minister of Plan emphasized that the DRC should be ready with

its validation report no later than March 9. The deadline by which the report needs to be validated is March 10.

17. (SBU) Comment: The DRC seems to be making steady progress toward EITI validation. While he was in Kinshasa in early December 2009, Economic Governance Assessment Team member Nicholas Garrett strongly encouraged USG political support of EITI in the DRC. Whether the DRC fulfills all of its obligations for EITI validation by the March 10 deadline will depend on financing, political will of the GDRC and continued commitment by the international community. End comment.

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